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DEFI Developing Finance

SEMINAR INTRODUCTION

GLOBAL RISK MANAGEMENT & GOVERNANCE

IN AN AGE OF MOUNTING GEOPOLITICAL THREATS

5 ECTS



CIFE ROMA NOVEMBER 2026

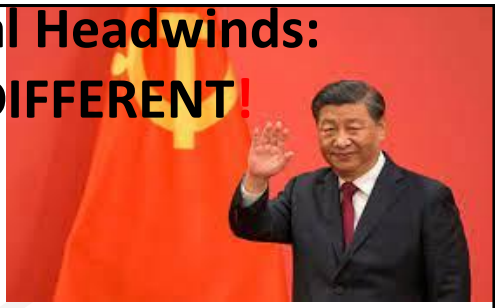
MICHEL-HENRY BOUCHET

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1

Global Economic & Geopolitical Headwinds: 2026-27=n THIS TIME, IT'S DIFFERENT!

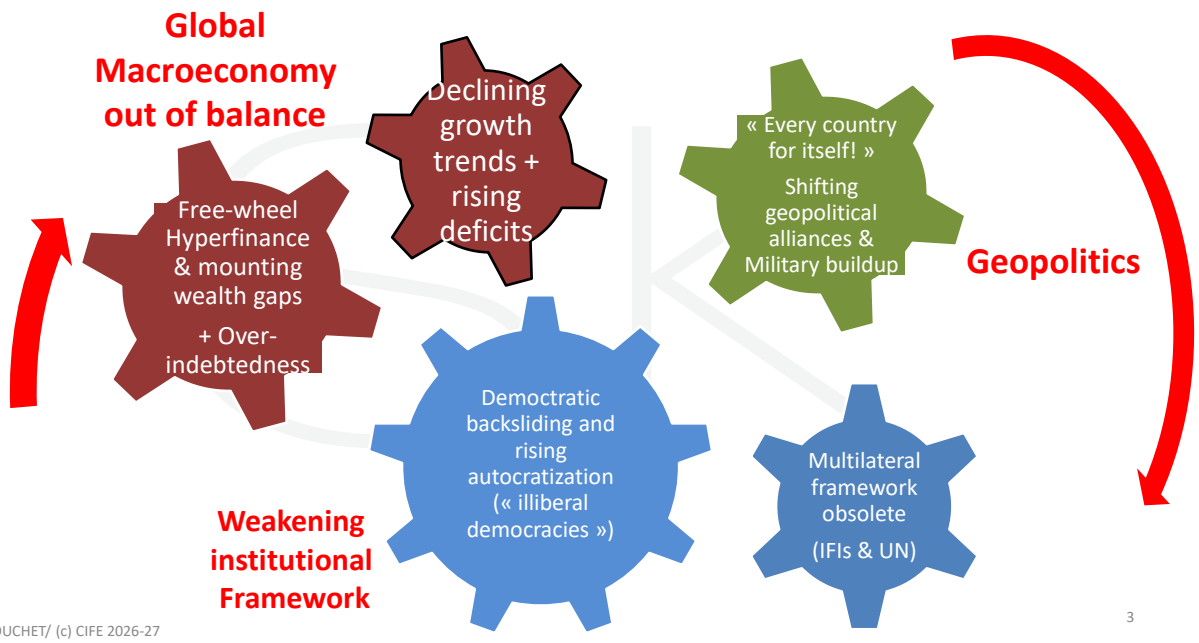




1. Rising geopolitical, economic and institutional headwinds: multilateralism under threat
2. Systemic change: globalized zero-sum game (trade protectionism)
3. Global Macro-Outlook : Secular stagnation coupled with rising indebtedeness, high real interest rates, and inflation threats = debt defaults ahead!
4. Living standards will fall in most developing countries (also in the OECD!)
5. Africa and many LDCs cannot afford high oil & commodity prices for long
6. Most significant geopolitical-driven shockwaves: Africa (Δ wheat & energy prices= no fiscal space), Middle-East, and Eastern Europe (Russian threats)

2

UNIQUE CONVERGENCE OF GEOPOLITICAL, ECONOMIC AND INSTITUTIONAL THREATS



3

RISING RISK OF FINANCIAL FRAGMENTATION DUE TO GEOPOLITICAL THREATS

1. Global economy is out of balance, with wealth, debt, and cross-border liabilities growing faster than the underlying productive output.
2. Foreign direct investment: Flows increasingly concentrated within geopolitical blocs, especially in strategic industries like semiconductors.
3. After the 2022 invasion of Ukraine, Russia pivoted almost entirely away from Western finance, halving its external liabilities.
4. China has gradually reduced its exposure to U.S assets, lending more to emerging markets and using offshore financial hubs + stronger alliances B&RI
5. Emerging markets avoid conditionality-linked IMF and WB loans (Tunisia)
6. Though the $ still dominates (57% of global reserves and 90% of foreign exchange transactions), central banks are buying gold with holdings now approaching levels not seen since the BW era
7. Rising risks of currency volatility and debt crises!

4

RISK IS NOT ONLY GLOBAL BUT IT BECOMES SYSTEMIC

The capitalist market economic system has shifted since the GFC of 2008-10.

- 1945-1985: state support for socio-economic growth under industrial companies
- 1985-2009: neoliberal capitalism with market globalization in a >0 sum-game (China WTO 2001, BRICS…)
- 2010-2030:

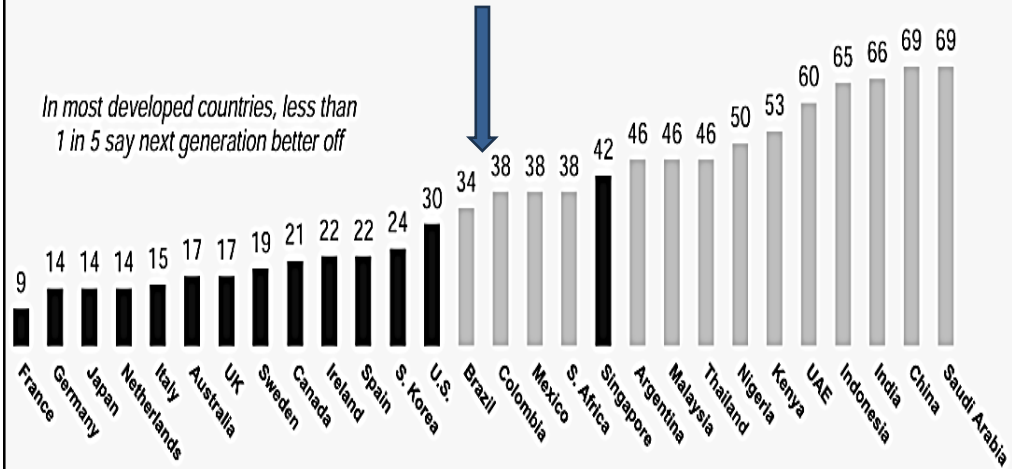
1. free trade no longer the dogma
2. Growing wealth gaps
3. Multilateralism increasingly challenged
4. Mediation and monitoring role of IFIs gets challenged
5. Trilateral strategic competition US-Russia-China to control mining and hydrocarbon resources as well as maritime routes
6. Globalized and unregulated hyperfinance
7. AI and data resources under private monopoly control of Tech companies in the US and in China

5

MEASURING GLOBAL TRUST IN INSTITUTIONS, ELITES & BUSINESS

AND IN THE FUTURE!

In most developed countries, less than 1 in 5 say next generation better off

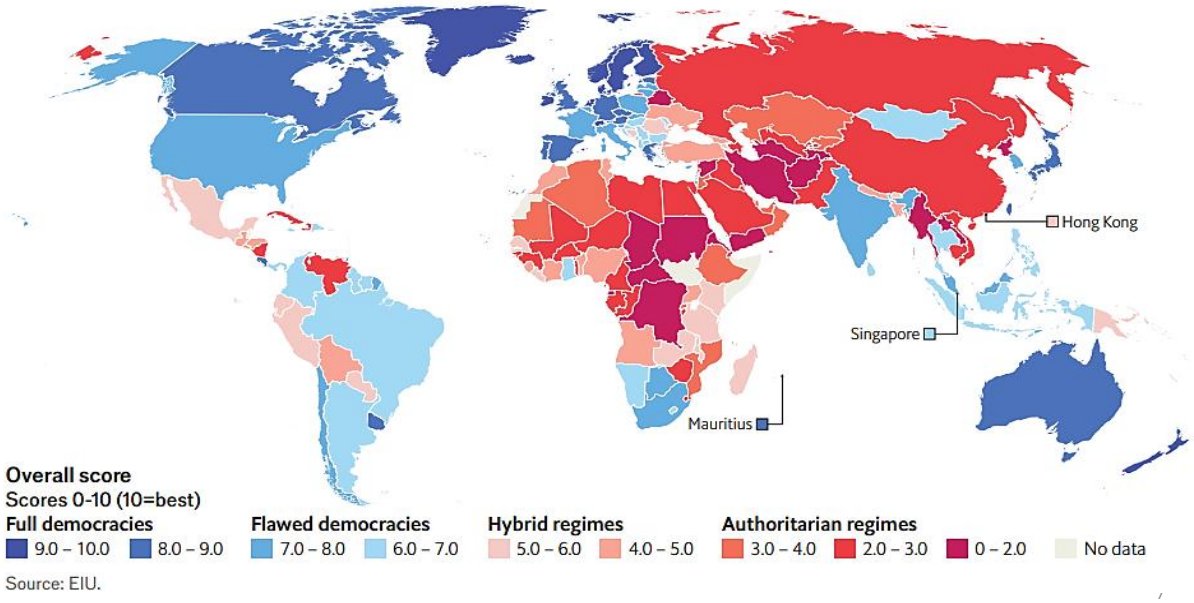


56	**Global 28**
77	China
76	Indonesia
75	India
72	UAE
71	Saudi Arabia
66	Malaysia
66	Thailand
65	Nigeria
65	Singapore
63	Kenya
57	Mexico
57	Netherlands
53	**S. Africa**
52	Canada
51	Brazil
50	Italy
50	Sweden
49	Australia
49	Colombia
48	**Argentina**
48	France
48	Ireland
47	U.S.
44	Spain
43	UK
41	Germany
41	S. Korea
37	Japan

2025 Edelman Trust Barometer 28 countries

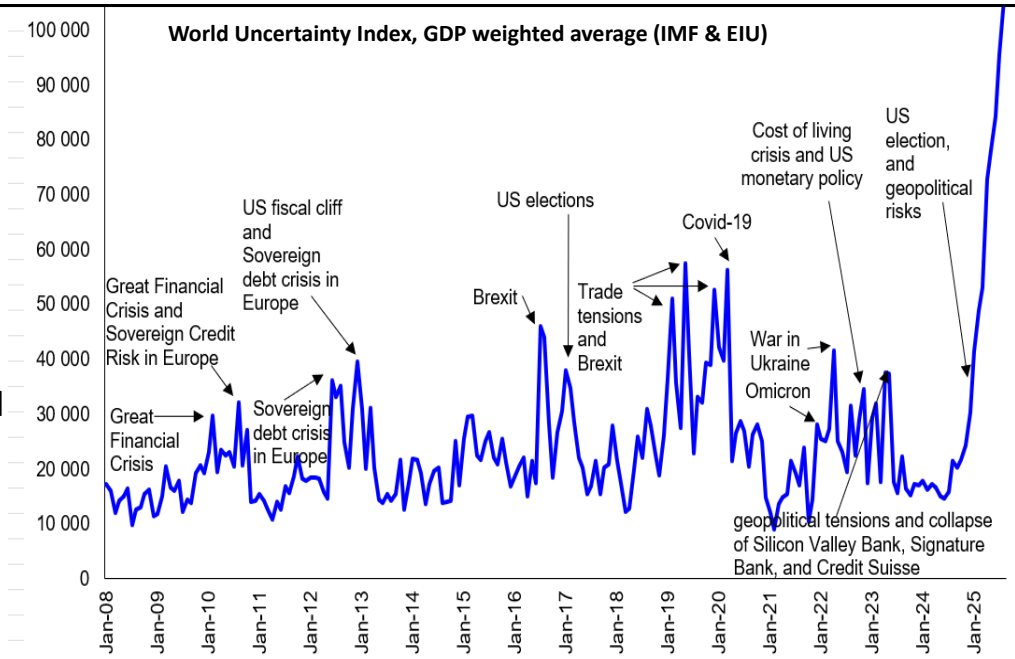
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DEMOCRACY KEEPS ERODING SINCE THE 1990'S



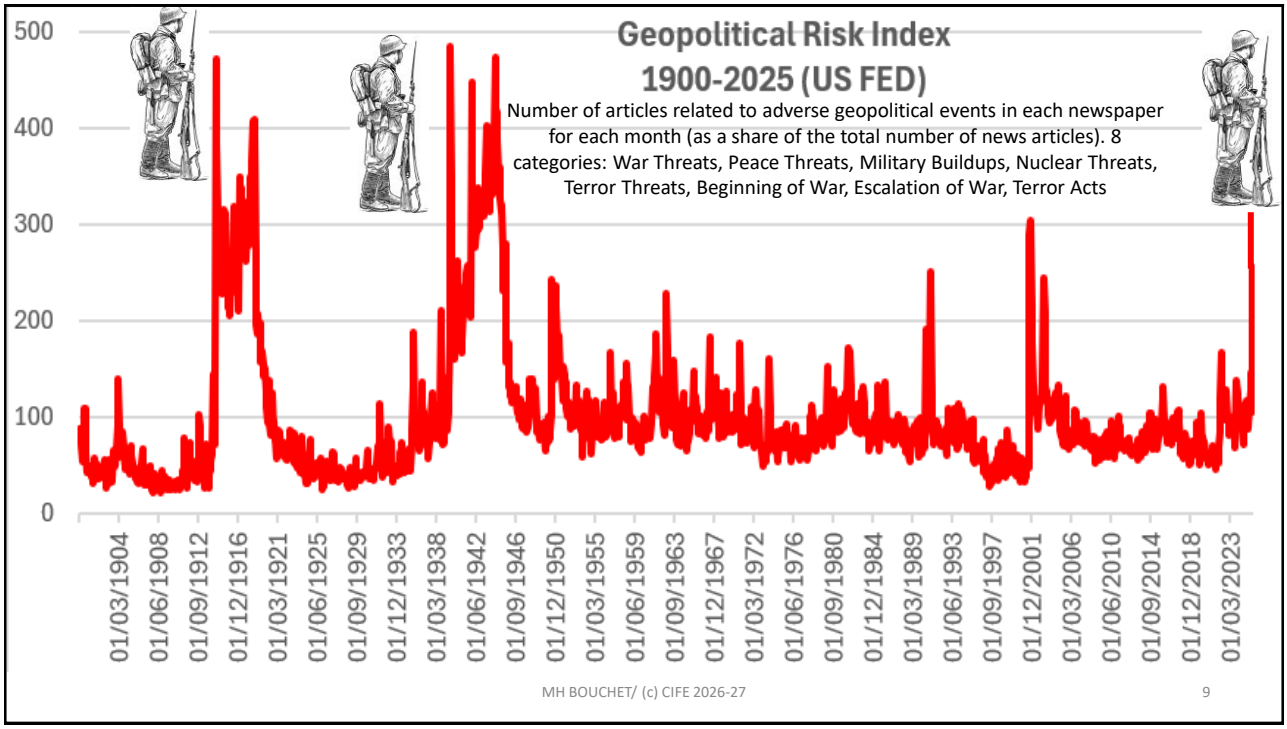
7

2008-26: **Global uncertainty** is rising and undermines growth and development prospects in both developed and developing countries



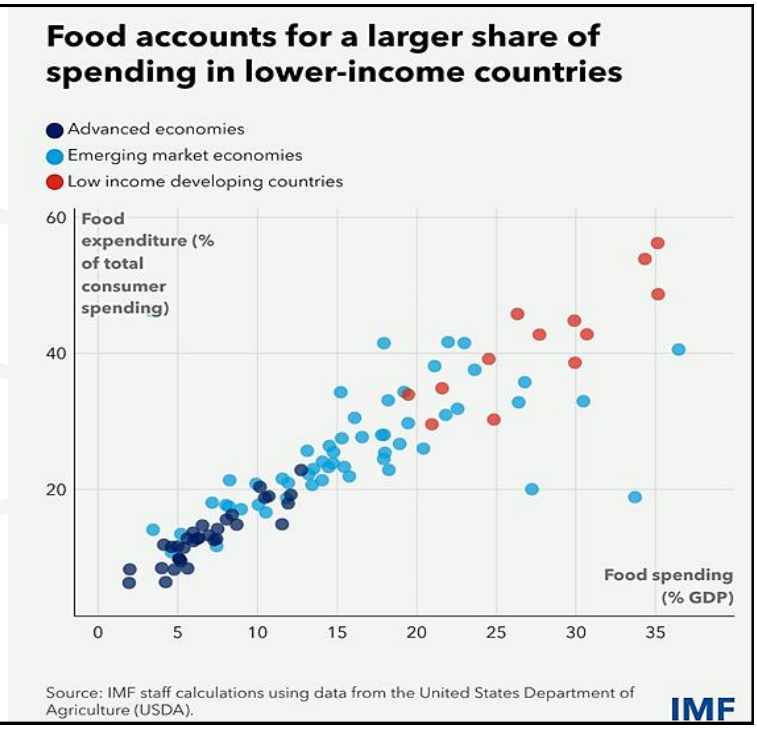
https://www.policyuncertainty.com/global_monthly.html

8



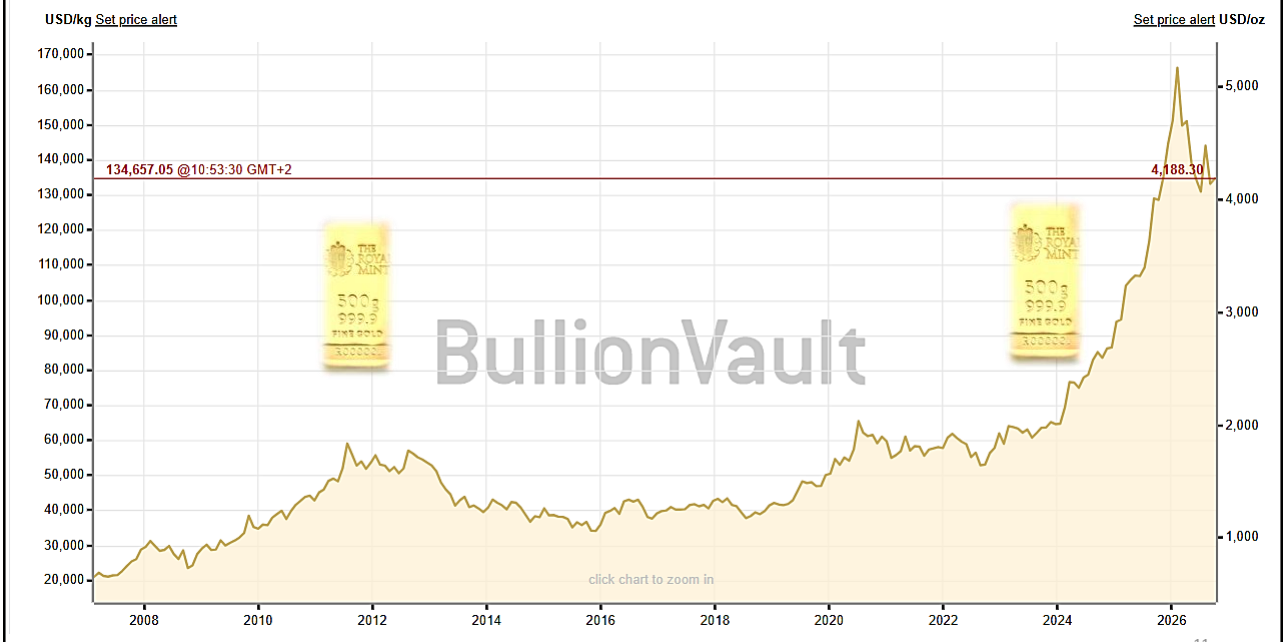
9

THE GLOBAL RAMIFICATIONS OF RUSSIA'S INVASION OF UKRAINE + CLIMATE CHANGE + DROUGHT IN AFRICA = RISING FOOD PRICES AND DECLINING INCOME IN **LOW-INCOME COUNTRIES**



10

THE EARLY WARNING SIGNALS OF RISING GOLD PRICE!

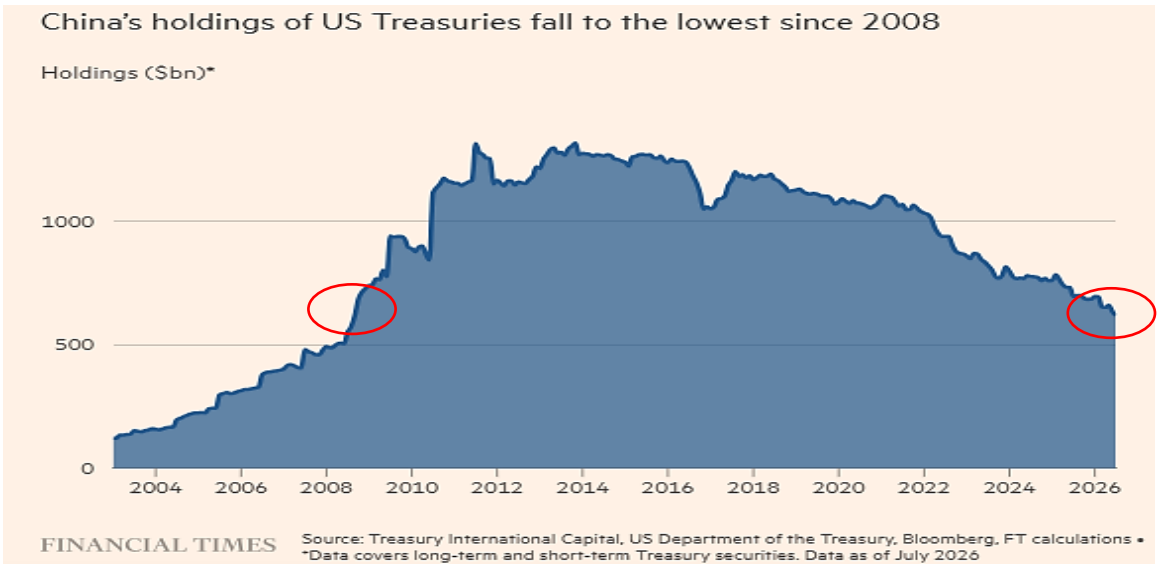


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CHINA'S GRADUAL REDUCTION OF ITS OFFICIAL HOLDINGS AS IT DIVERSIFIES INTO OTHER ASSETS (GOLD), HENCE SIGNAL OF CONCERN FOR THE "RISK-FREE" STATUS OF TREASURIES



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1989-2026: GLOBAL GOVERNANCE PARADIGM SHIFT

Since the 1980s Reaganomics & Thatcherism imposed dominant political idea = smaller states can do less and tax less!

1989 Fall of the Berlin Wall + end of the Cold war = "peace dividend", with defence spending redirected into other uses (<2% GDP)= demise of geopolitics

Borderless market economy : Focus on cross-border investment and trade liberalization under IFIs' monitoring and guidance: « End of History »!

Washington consensus :

Global economic development=

>0 sum game



THE WASHINGTON CONSENSUS IN A NUTSHELL

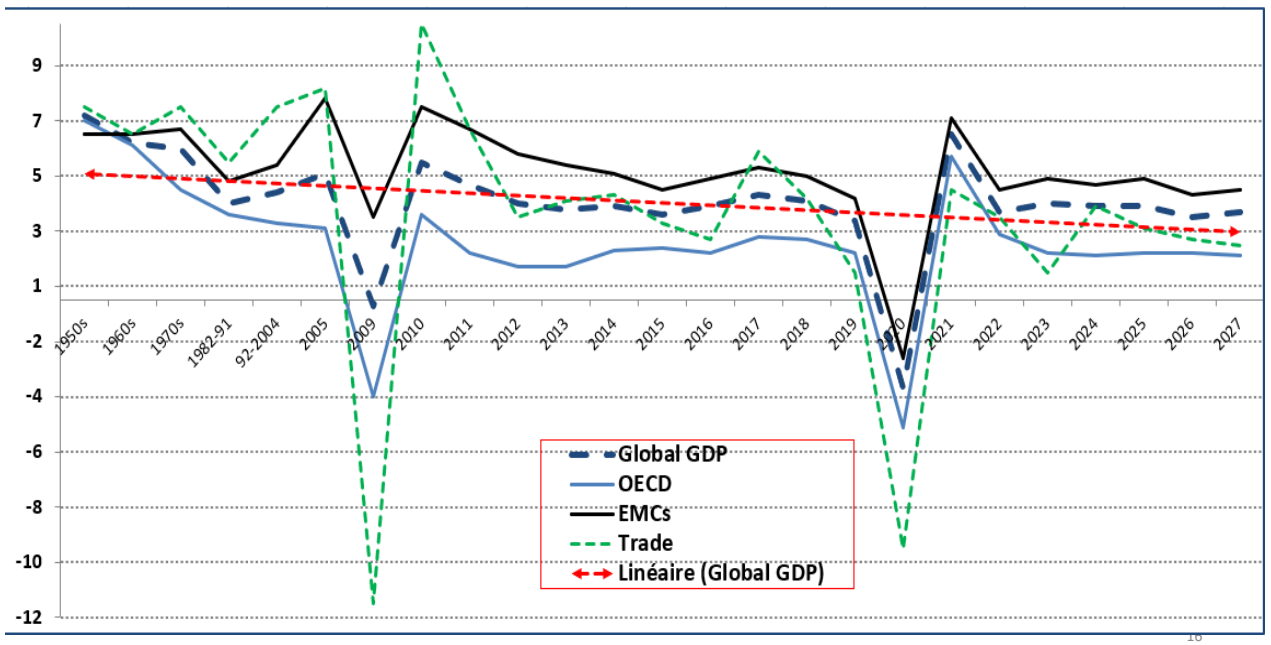


MAIN CHALLENGES OF THE CRUMBLING WASHINGTON CONSENSUS

1. 2020-2027: return of geopolitical threats with a vengeance
2. Secular stagnation & growing wealth gaps (Kuznet is wrong)
3. Looming financial and debt crises (rating agencies!)
4. Growing spending needs: Fiscal & monetary interventionism?
5. Sustainable financing of inclusive development and climate risks?
6. Global governance crisis at the country and multilateral levels (obsolete BW framework)
7. From post WWII geopolitical containment to global trade and financial containment?

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SECULAR STAGNATION (1950-2027)



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ECONOMIC GROWTH BELONGS TO THE PAST

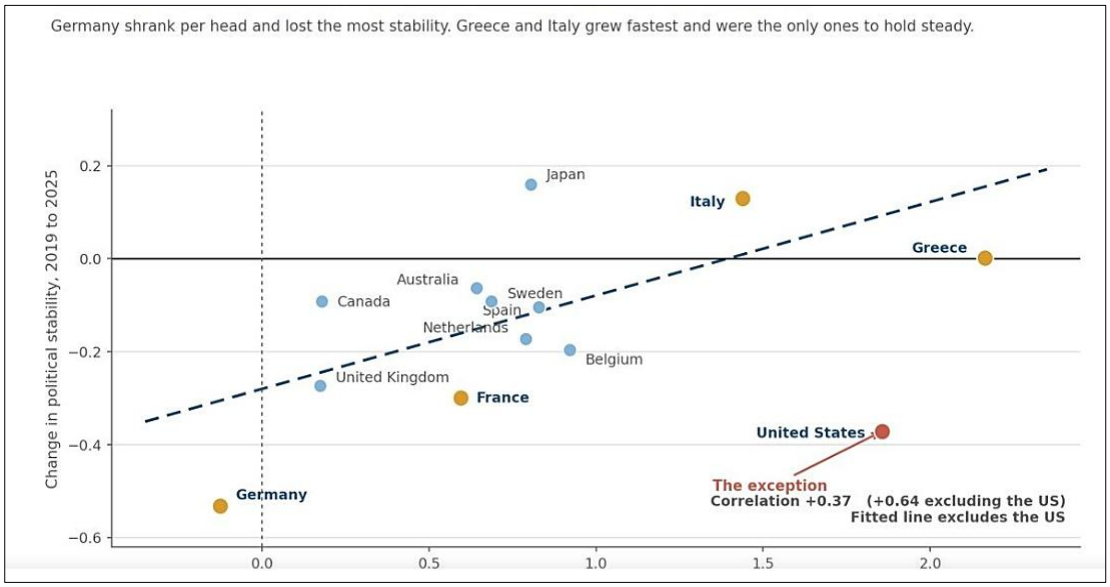
The EU economy expands by 1% in 2023-2027, with high prices hitting consumer spending across the bloc; German economy faced 0,7% growth in 2023-27

The global economy has lost momentum, trade is slowing down, while interest rates increase and debt ratios and deficits remain large!

(Real GDP, annual percent change)	2025	2026	2027
World Output	**3.5**	**3.0**	**3.4**
Advanced Economies	**1.9**	**1.7**	**1.8**
United States	2.1	2.3	2.2
Euro Area	1.4	0.9	1.2
Germany	0.2	0.7	1.0
France	0.9	0.6	0.9
Italy	0.5	0.5	0.5
Spain	2.8	2.1	1.8
Japan	1.1	0.6	0.7
United Kingdom	1.4	1.0	1.3
Canada	1.9	1.1	1.7
Other Advanced Economies	3.0	2.8	2.3
Emerging Market and Developing Economies	**4.5**	**3.8**	**4.5**
Emerging and Developing Asia	5.6	5.0	4.8
China	5.0	4.6	4.1
India	7.7	6.4	6.7
Emerging and Developing Europe	2.0	1.9	2.1
Russia	1.0	1.1	1.1

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LIVING STANDARDS IMPROVEMENT AND POLITICAL STABILITY MOVE TOGETHER



Source: Haver Analytics Oct 2026

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WHAT'S THE PROBLEM OF SECULAR STAGNATION, DECLINING TRADE AND MOUNTING DEBT TRENDS?

1. Shrinking income per capita + growing wealth gaps: fiscal, social & political economic dilemmas

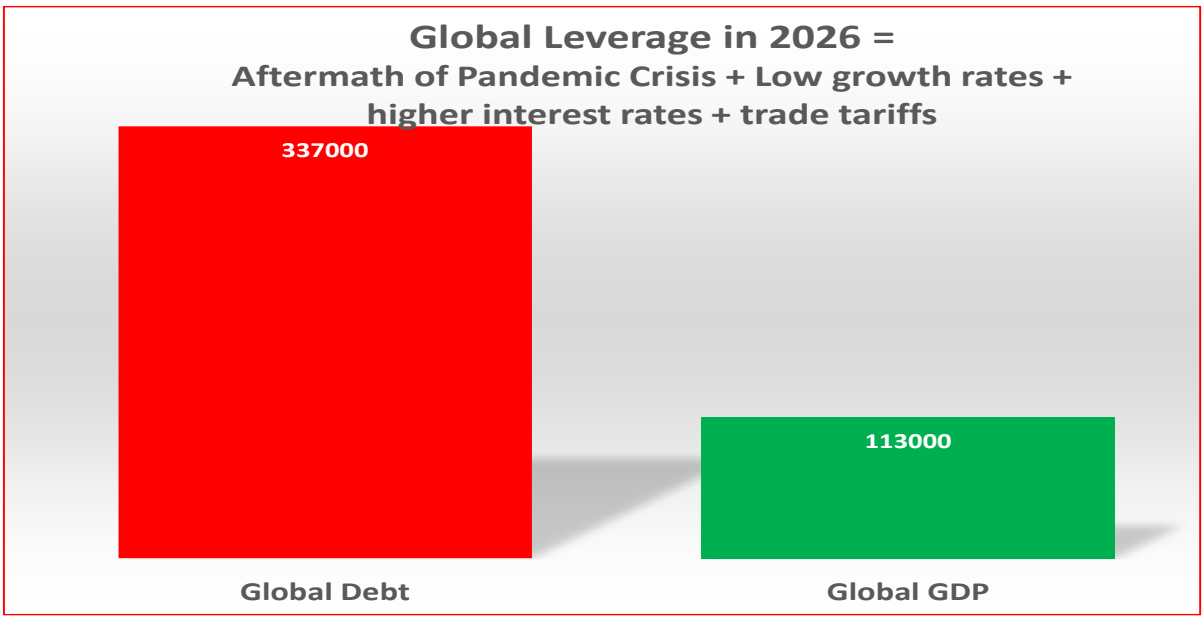
2. Race between GDP, interest and debt rates!

3. Demographic threats: aging population + declining labour force

4. Lower productivity despite Hi Tech revolution 2.0 AI

19

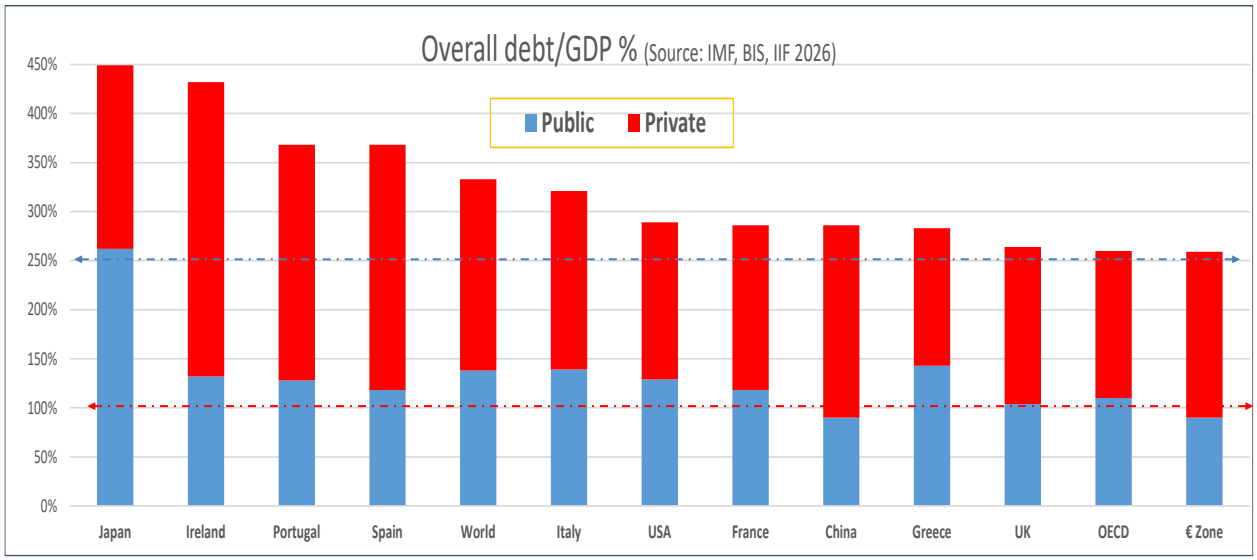
HOW MUCH IS TOO MUCH? >300%



Source: IMF & IIF 2026

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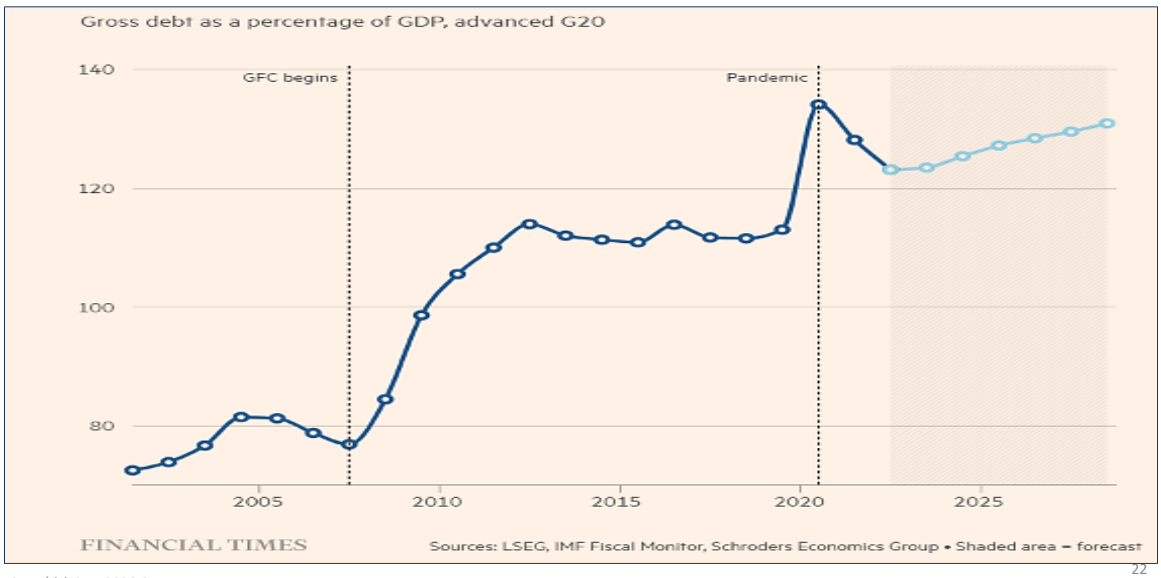
RISING DEBT RATIOS IN AN ENVIRONMENT OF LOW GROWTH, LARGE DEFICITS, AND HIGHER REAL INTEREST RATES END-2026



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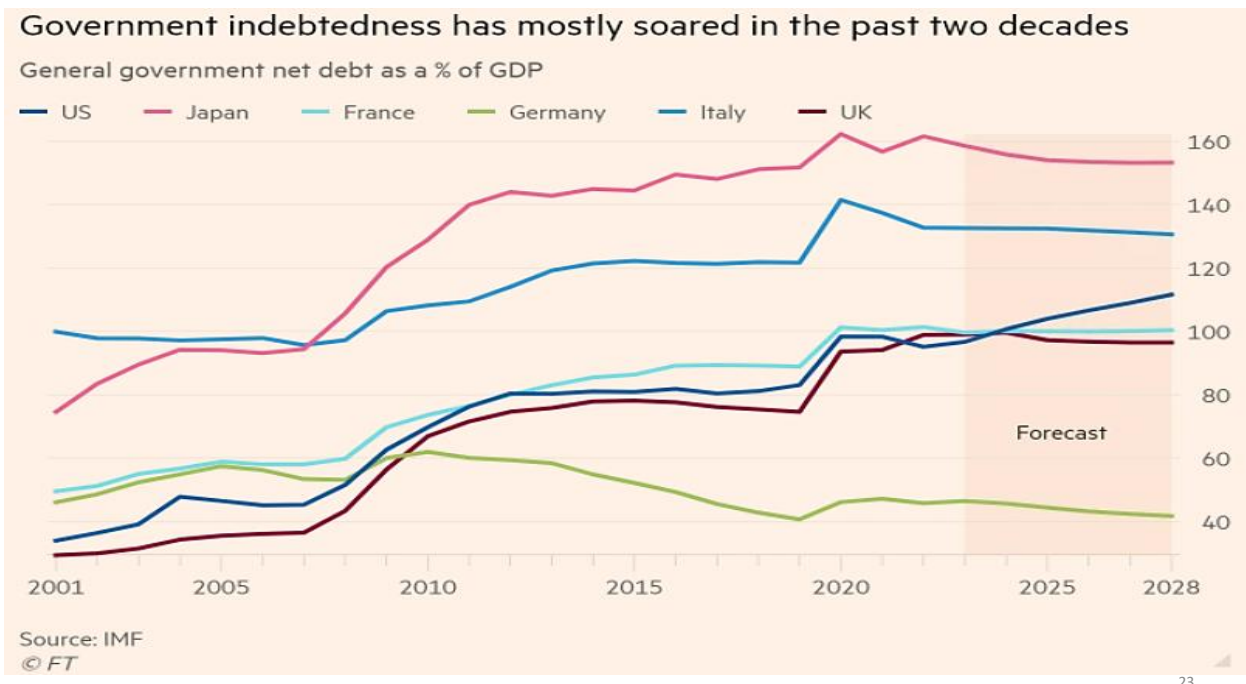
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FINANCIAL + PANDEMIC CRISES= HIGHER BUDGET DEFICITS = MOUNTING DEBT!

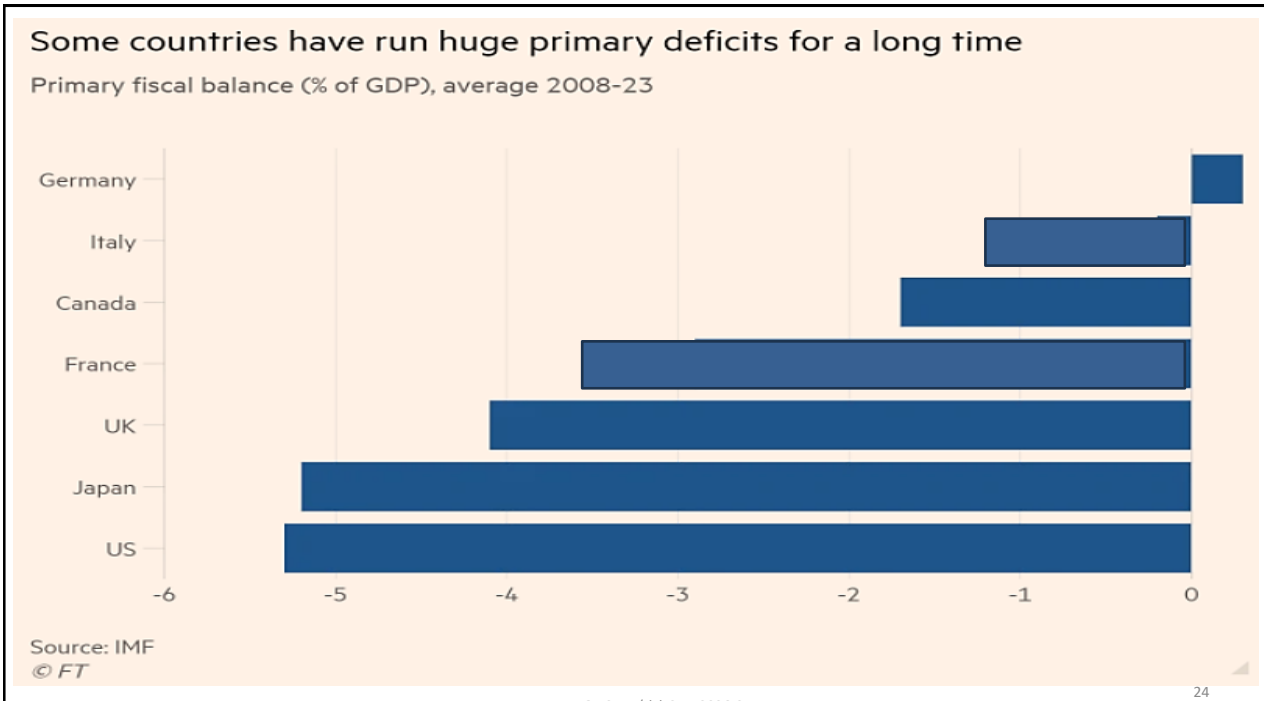


22

22


Government indebtedness has mostly soared in the past two decades
General government net debt as a % of GDP
US
Japan
France
Germany
Italy
UK
160
140
120
100
80
60
40
Forecast
2001
2005
2010
2015
2020
2025
2028
Source: IMF
© FT

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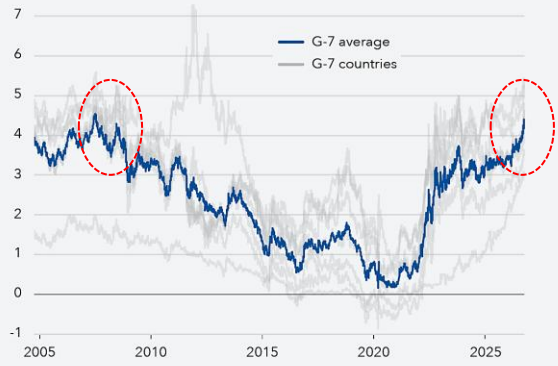

Some countries have run huge primary deficits for a long time
Primary fiscal balance (% of GDP), average 2008-23
Germany
Italy
Canada
France
UK
Japan
US
-6
-5
-4
-3
-2
-1
0
Source: IMF
© FT

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RISING INTEREST BILLS = LARGER BURDEN ON PUBLIC RESOURCES, LEAVING LESS ROOM FOR PUBLIC INVESTMENT, & INCREASED SPENDING IN DEFENSE, ENERGY SECURITY, AND AGING POPULATIONS!

Cost of debt has increased for the richer economies

10-year government bond yields, percent

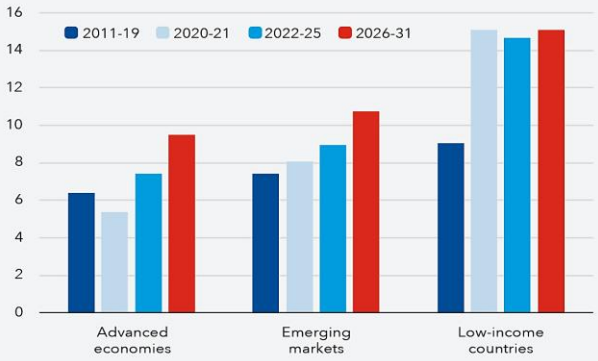


Sources: Refinitiv, Bloomberg Finance L.P., and IMF staff calculations.
Note: Daily observations until September 30, 2026.

IMF

Countries are spending more to service their debt

Percent of revenues



Sources: IMF staff calculations

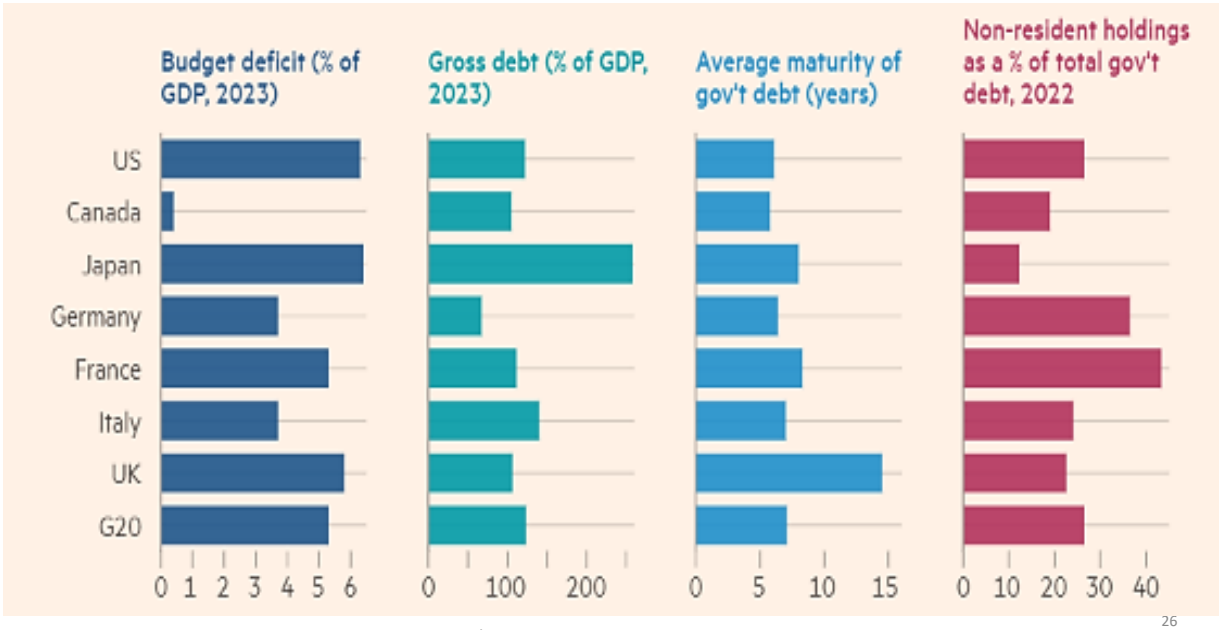
IMF

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IN MOST COUNTRIES, BOTH OECD & LDCS, FISCAL HEADROOM GETS MEAGER!



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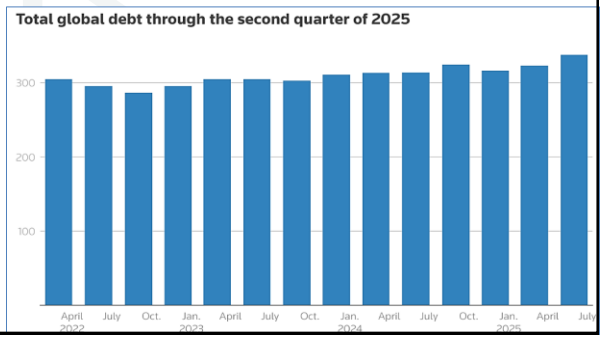
Source: FT + Schroders 08/2023

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UPCOMING DEBT WALL FOR BOTH LDCS … AND OECD COUNTRIES

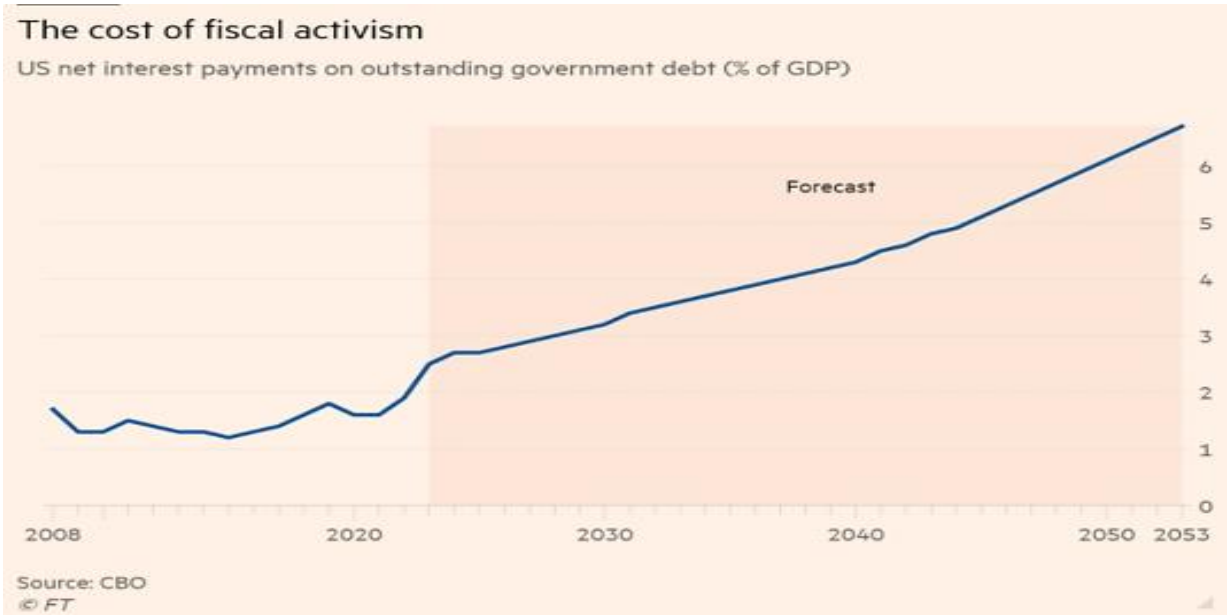
1. High and rising debt ratios for LDCs: 242% in 2026
2. A debt wall of US$3200 billion is looming at end-2026 with large bank and bond maturities falling due
3. In the US debt, 20% is now ST though the USD Fed **cannot** maintain low rates to stem snowballing rise of interest payments
4. Global debt is rising due to budget deficits, debt refinancing, and military spending



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2025: THE END OF CHEAP MONEY!

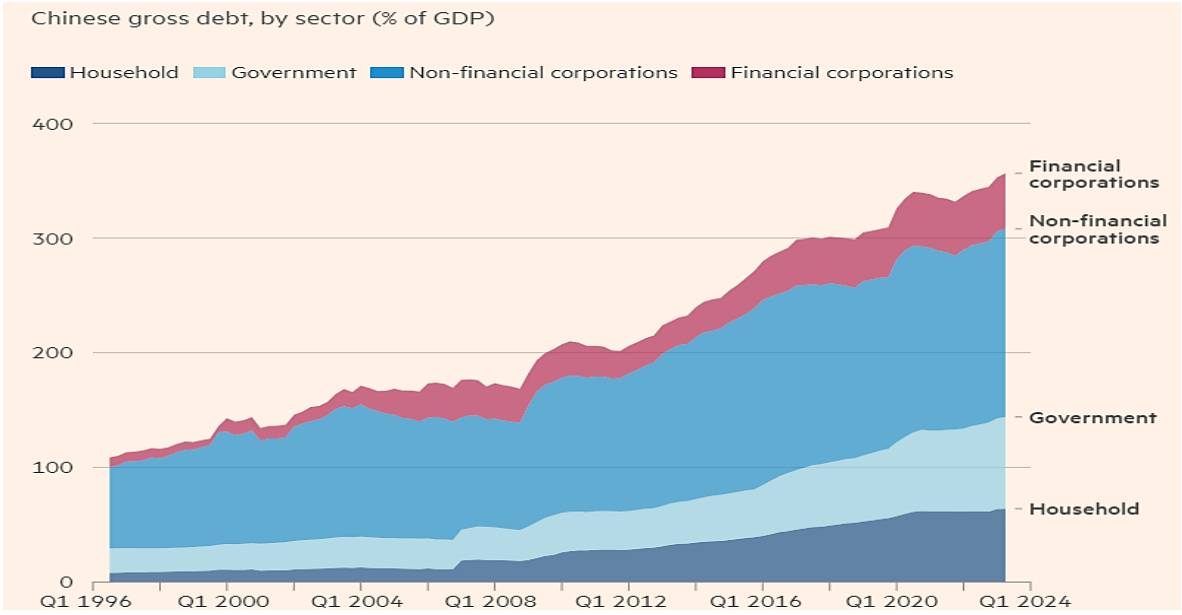


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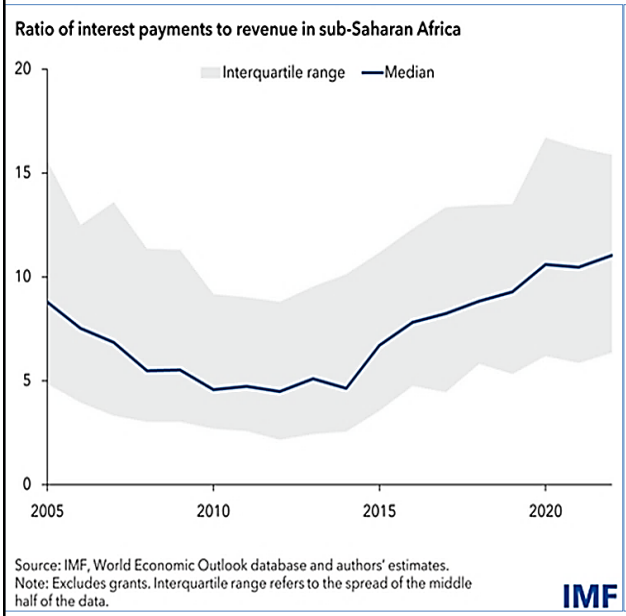
CHINA : GROWTH HAS BEEN DRIVEN BY A DEBT MOUNTAIN

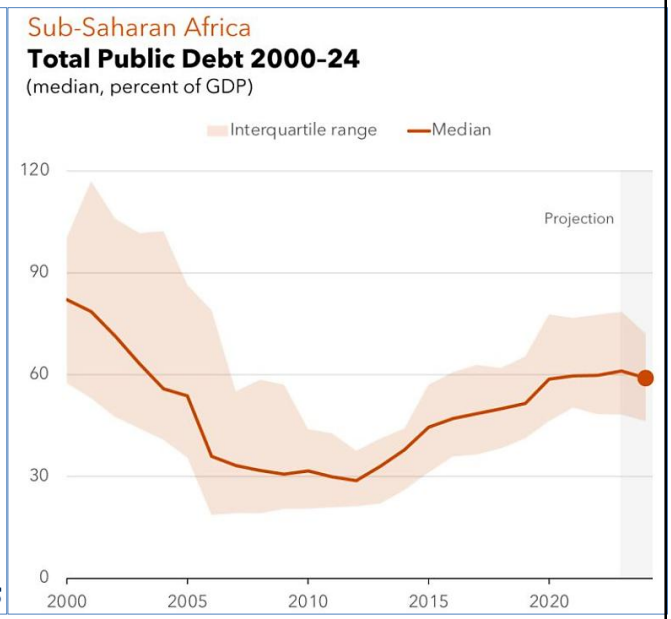


Source FT 09/2023

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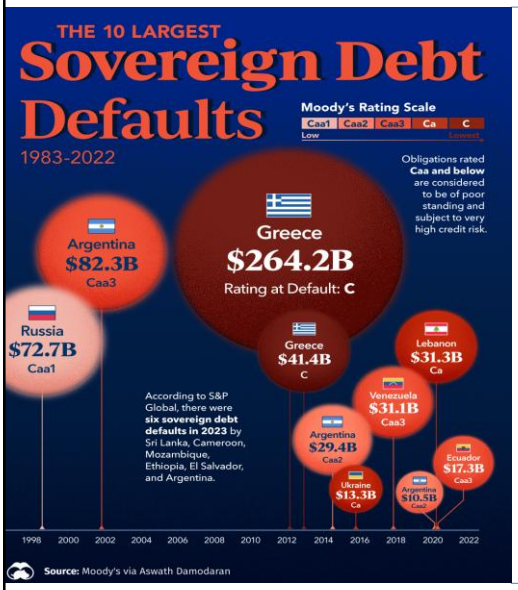
A DEBT CRISIS IS LOOMING IN AFRICA IN 2024-26

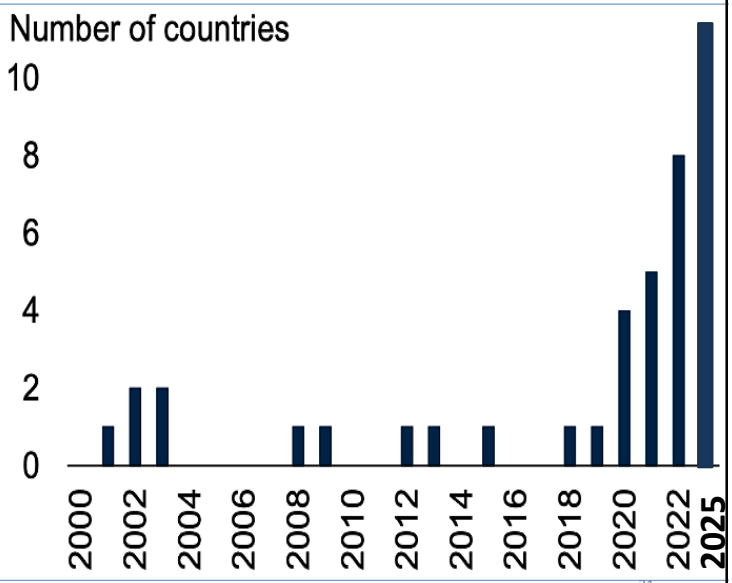




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NUMBER OF LDCS IN DEBT DISTRESS HAS NEVER BEEN HIGHER: DEBT DEFAULT AHEAD!





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NEED FOR GREATER GOVERNMENT SPENDING: DEFENSE + DEMOGRAPHICS + CLIMATE CHANGE

Russia's invasion of Ukraine and rising tensions between the west and China have prompted many governments to expand their **military capability**: Three days after the start of the Ukraine war, Olaf Scholz talked about "Zeitenwende" — a tectonic shift — pledging to meet the 2% target. Japan is planning a 57% increase in its defense budget.

But spending on **healthcare and pensions** continues to increase sharply. The old age dependency ratio (% of people > 65 compared with the number aged 20 to 64) is set to rise across the OECD, from 33 per cent in 2023 to 36 per cent in 2027 before rising to 52 per cent by 2050.

Macroeconomic policy is to become more political!

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THE CONUNDRUM: HOW TO SPEND MORE?

AT A TIME OF MEDIOCRE ECONOMIC GROWTH AND TIGHTER FINANCIAL CONDITIONS?

Limited number of policy options!

1. Cutting defense spending (unlikely!)
2. Cutting public services (politically risky!)
3. US plan to enlarge the World Bank's lending capacity for LDCs by $25bn (>$100bn if other nations make similar pledges)
4. G20 to provide "meaningful debt relief" for struggling economies
5. Governments to turn to more environmental taxes (carbon taxation for speeding up green transition) ?
6. Loose monetary policy to fund budget deficits? ECB watching!
7. Reverting to the trend seen before WWII: tax wealth & property (Piketty & Zucman)

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« AFTER WWII, THE COLD WAR SIMPLIFIED THE GLOBAL SYSTEM. TODAY, AUTOCRATS ARE MORE SOPHISTICATED, ALLOWING PARLIAMENTARY ELECTIONS BUT UNDERMINING DEMOCRATIC INSTITUTIONS. THEY RELY ON MARKET-BASED ECONOMY WHILE FAVORING CRONY CAPITALISM, CORRUPTION, OPACITY, AND AUTOCRATIZATION. GOOD GOVERNANCE IS DECLINING! RISKS ARE EVERYWHERE!»

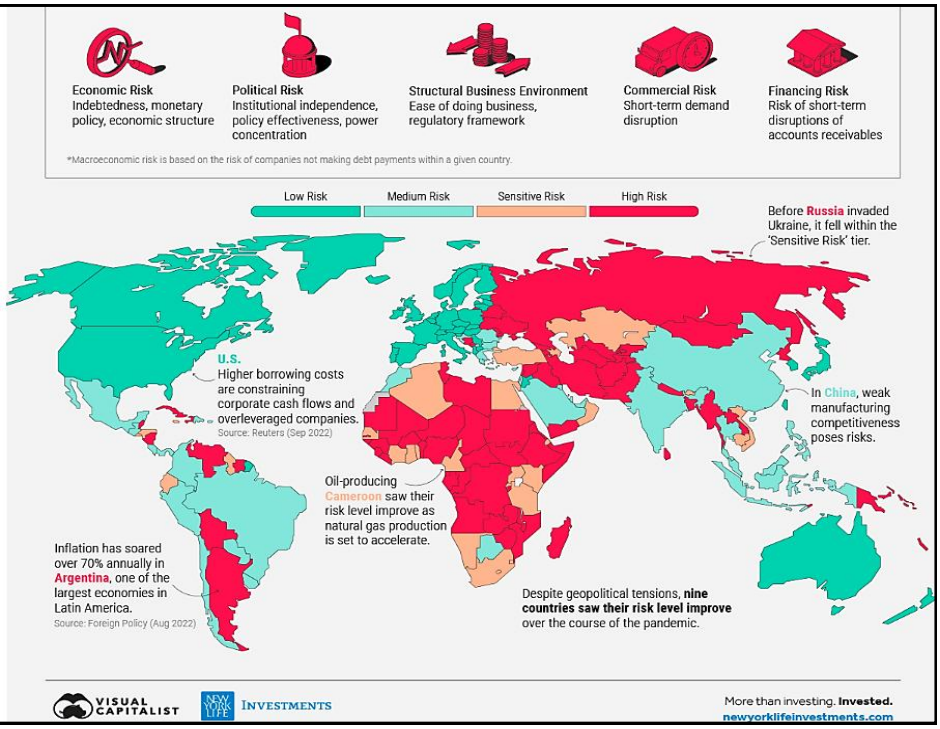


VACLAV HAVEL IN MEETING WITH OBAMA 2020

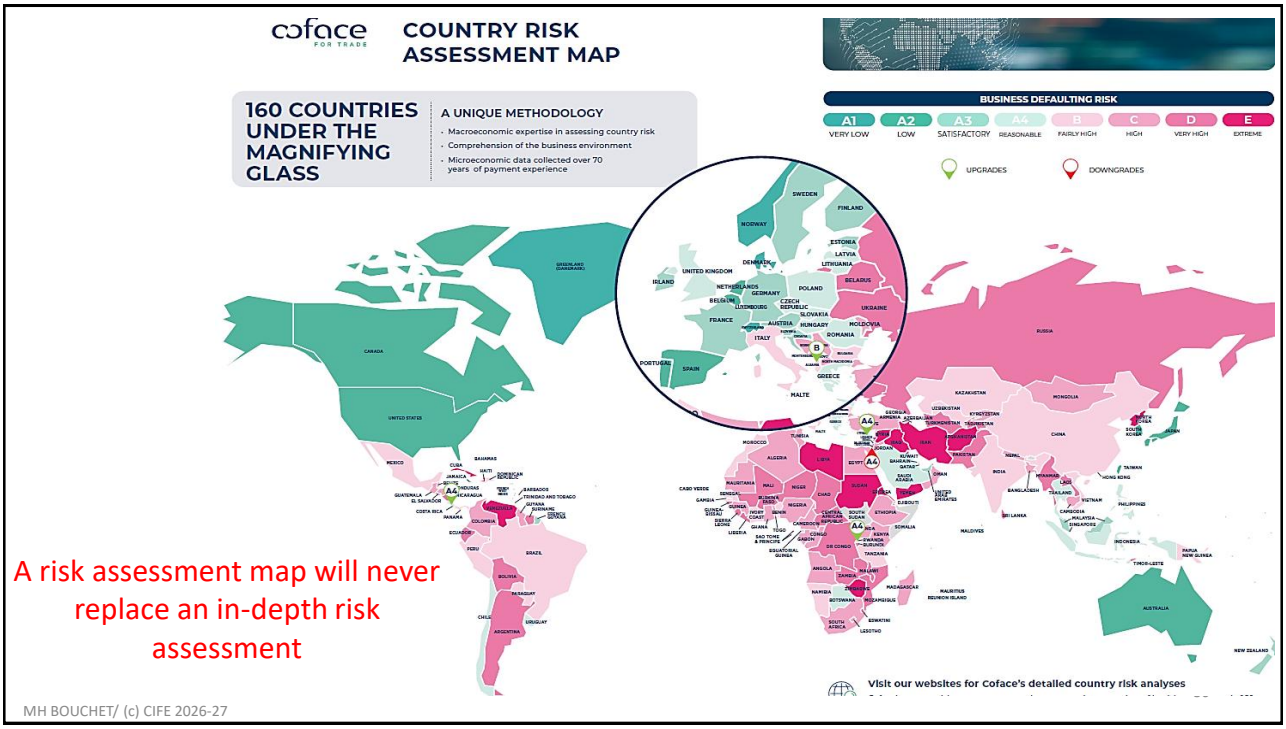


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Country risk stems from a complex mix of institutional, socio-political, and economic inputs where **governance** plays a key role!



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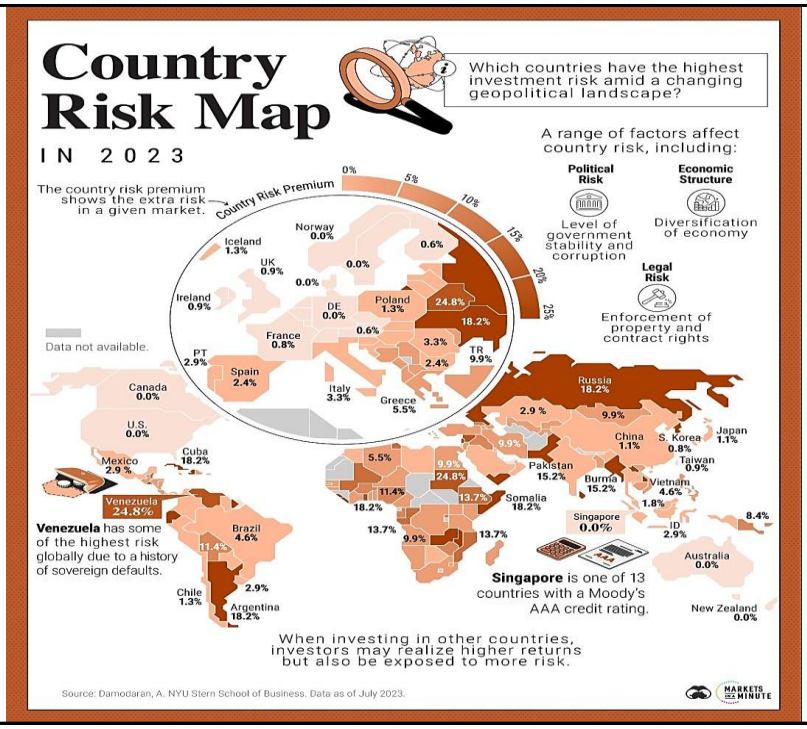


A risk assessment map will never replace an in-depth risk assessment

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Country Risk must be assessed, anticipated, and measured regarding its current and upcoming cost!



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SUCCINCT CROSS-COUNTRY COMPARISON

▶KOSOVO

Population: 1,8 million GDP=€14b $9,000 pc
GDP growth: 3,5% CAD -7,7%
Large trade deficit -30% gdp R/M= 2,5 months
IMF SBA ($20 m) large E&Os
Unemployment 15% Ext. debt: **16% gdp**
UNDP HDI= 85 GINI= 0,30
Risk rating: BB-
Corruption: **76/180** (same as Jamaica)

▶ALBANIA

Population: 2,8 million GDP= €33 b
GDP per capita : $12,000
GDP growth: 3,5% Unemployment: 11%
Public debt: 53% gdp CAD: -4,5%
Trade deficit: -10% gdp
External debt: 50% gdp R/M: 6 months
UNDP HDI= 71 GINI= 0,32
Risk rating: BB-
Corruption: 91/180 (same as Tunisia)

in June 1999 Kosovo under the rule of an interim international administration.
New phase of reconstruction, recovery and development (limited recognition)

40